

## **PSG KONSULT LIMITED**

(Incorporated in the Republic of South Africa)

Registration Number: 1993/003941/06

JSE Share Code: KST

NSX Share Code: KFS

SEM Share Code: PSGK.N0000

ISIN Code: ZAE000191417

LEI Code: 378900ECF3D86FD28194

("PSG Konsult" or "the Company")



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### **SHORT-FORM ANNOUNCEMENT: REVIEWED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020 AND DIVIDEND DECLARATION**

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#### **1. INTRODUCTION**

Shareholders are reminded that the financial results are based on the actual results for the year ended 29 February 2020, as required in terms of International Financial Reporting Standards (IFRS). Therefore, these financial results do not reflect the current market conditions and must be read in that context. The directors, while complying with IFRS, have also chosen to comment on the impact of the developing COVID-19 pandemic.

#### **2. FINANCIAL RESULTS**

- Recurring headline earnings per share increased by 8% to 48.1 cents per share
- Total dividend per share for the year increased by 10% to 22.5 cents per share
- Total assets under management increased by 3% to R230bn
- Gross written premium increased by 22% to R5.5bn

PSG Konsult produced a solid 8% recurring headline earnings per share growth and 20.5% return on equity for 2020, despite longer-term structural deficits in the South African economy.

We continued to invest in long-term growth initiatives, given the attractive opportunities we see for our businesses. During the current year we maintained investment momentum in systems and processes (+17% in non-personnel costs) while also continuing to hire top talent (+8% in personnel costs).

It's a salutary reminder that the benefits from long-term investments take time and require both confidence and patience. Over the past five years we invested circa R1bn (fully expensed) in systems and processes, and it's only during the current year that we started to see the benefits of lower marginal costs related to client service. Consequently, we expect that the growth in future costs will be at a lower rate.

The Insure division's growth in recurring headline earnings was supported by the Absa Insurance and Financial Advisers acquisition concluded in the prior year.

No performance fees were earned during the current year, compared to the prior year where performance fees constituted 2.9% of headline earnings.

PSG Konsult's key financial performance indicators for the year ended 29 February 2020 are shown below.

	29 Feb 2020 R'000	Change %	28 Feb 2019 R'000
Core income	5 068 869	10	4 603 577
Recurring headline earnings	644 408	9	591 099
Non-recurring items	-		12 789
Headline earnings	644 408	7	603 888
Non-headline items	2 549		(1 714)
Earnings attributable to ordinary shareholders	646 957	7	602 174
Divisional recurring headline earnings			
PSG Wealth	376 384	11	338 594
PSG Asset Management	146 420	(12)	167 279
PSG Insure	121 604	43	85 226
	644 408	9	591 099
Weighted average number of shares in issue (net of treasury shares) (millions)	1 340.9	1	1 325.1
Earnings per share (basic) (cents)			
– Recurring headline	48.1	8	44.6
– Headline	48.1	5	45.6
– Attributable	48.2	6	45.4
– Recurring headline (excluding intangible asset amortisation cost)	52.2	8	48.4
Dividend per share (cents)	22.5	10	20.5
– Interim	7.5	7	7.0
– Final	15.0	11	13.5
Return on equity (ROE) (%)	20.5		21.5

### Capital management

PSG Konsult remains strongly capitalised, with a capital cover ratio of 191% (2019: 182%) based on the latest insurance group return. PSG Konsult's strong cash flow enables us to continue to invest in long-term growth opportunities, systems and processes, while optimising risk-adjusted returns for shareholders.

The group negotiated the early redemption of the R100.0 million notes issued under the Domestic Medium-Term Note Programme. The notes were redeemed on 12 July 2019, utilising surplus cash, and the group therefore had no remaining interest-bearing debt at year-end.

Shareholders were advised on 4 December 2019 that the rating agency Global Credit Rating Company upgraded the group's credit rating. PSG Konsult's long-term South African national scale rating was upgraded to A(ZA) from A-(ZA), while the short-term South African national scale rating was revised to A1(ZA), from A1-(ZA) with a stable outlook.

To minimise the impact of share issue dilution, the PSG Konsult Group Share Incentive Trust purchased 12 585 068 PSG Konsult shares, at a cost of R122.1 million, during the first half of the year to satisfy certain of its obligations in terms of the Share Incentive

Scheme. In addition, PSG Konsult repurchased and cancelled a further 1 551 139 shares at a cost of R13.7m during the second half of the year.

### **COVID-19**

Our first priority is to ensure staff safety and business continuity for our clients. We are able to report that most of PSG Konsult's operations have been classified as an essential service, but that 99% of our staff and advisers are working remotely. Despite recent market volatility caused by COVID-19, PSG Konsult remains resilient. Assets under management at 31 March 2020 amounted to R207.9 billion, a decrease of circa 10% compared to a 13% decrease in the JSE All Share Index during March 2020. The group has a strong balance sheet and excellent liquidity. We take a prudent approach when investing assets backing our regulatory capital requirements; as such circa 90% of investable shareholder assets are invested in cash, money market or related instruments. The aim is to limit market volatility on our shareholders' equity and regulatory capital; by way of example, the shareholders' assets declined by less than 1% for the month ended 31 March 2020. PSG Konsult is working with various authorities and regulators to help minimise the impact of COVID-19 on society as a whole, which among other initiatives shall include a R10.0 million donation into the South African Solidarity Fund.

### **3. DIVIDEND DECLARATION**

Given its continued confidence in the group's prospects, the board decided to approve and declare a final gross dividend of 15.0 ZAR cents per share from income reserves for the year ended 29 February 2020 (2019: 13.5 ZAR cents per share). The group's dividend payout ratio remains consistent with the dividend policy communicated at the time of listing. The dividend amount, net of South African dividend tax of 20%, is 12.0 ZAR cents (2019: 10.8 ZAR cents) per share for those shareholders who are not exempt from dividend tax or are not entitled to a reduced rate in terms of the applicable double-tax agreement. The number of ordinary shares in issue at the declaration date is 1 356 922 600 and the income tax number of the Company in South Africa is 9550/644/07/5.

The salient dates of the dividend declaration are:

Declaration date	Tuesday, 14 April 2020
Last day to trade cum dividend	Tuesday, 5 May 2020
Trading ex-dividend commences	Wednesday, 6 May 2020
Record date	Friday, 8 May 2020
Date of payment	Monday, 11 May 2020

As the dividend has been declared and denominated in Rand, it will be paid (in Rand) into the bank accounts of shareholders appearing on the Mauritian register.

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 May 2020 and Friday, 8 May 2020, both days inclusive.

### **4. SHORT-FORM ANNOUNCEMENT**

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("**Full Announcement**") and does not contain full or complete details.

The Full Announcement can be found at:

<https://senspdf.jse.co.za/documents/2020/JSE/ISSE/KST/PSGKFY2020.pdf>

A copy of the Full Announcement is also available for viewing on the Company's website at <https://www.psg.co.za/files/investor-relations/financial-information/PSGKFY2020.pdf>. In addition, electronic copies of the Full Announcement may be requested and obtained, at no charge, from the Company at [company.secretary@psg.co.za](mailto:company.secretary@psg.co.za) and from PSG Capital.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

The Company has based this short-form announcement on the financial results for the year ended 29 February 2020 which have been reviewed by the Company's auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion.

Tyger Valley  
14 April 2020

JSE Sponsor: PSG Capital Proprietary Limited

NSX Sponsor: PSG Wealth Management (Namibia) Proprietary Limited, member of the Namibian Stock Exchange

SEM authorised representative and SEM Sponsor: Perigeum Capital Ltd

This notice is issued pursuant to the JSE Limited Listings Requirements, the SEM Listing Rules and the Mauritian Securities Act 2005. The board of directors of PSG Konsult accepts full responsibility for the accuracy of the information contained in this communiqué.